

**Testimony before the Subcommittee on
Department Operations, Oversight, Nutrition, and Forestry
House Committee on Agriculture
by
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INTRODUCTION

As Commissioner of the Commonwealth of Virginia Department of Social Services, I am honored to have the opportunity to provide testimony regarding the administration of the Food Stamp Program as you consider reauthorization.

The last major legislative overhaul of the Food Stamp Program was included in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996. This was the most substantial change since the Food Stamp Act was rewritten in 1977. We applaud the intent that Congress had when it acted in 1996 to amend the Food Stamp Program. PRWORA was designed to:

- expand authority and flexibility for states,
- strengthen work and eligibility requirements,
- control future spending, and
- continue to move toward the electronic delivery of benefits.

PRWORA marked a substantial beginning with great potential. It provided an opportunity to more closely link the Food Stamp Program with welfare reform's emphasis on work and self-sufficiency. That promise still exists. Unfortunately, rigid federal regulations have severely limited the intent of Congress. As it is currently administered, the Food Stamp Program is not in line with PRWORA objectives. Micro-management by the federal agency and a preoccupation with payment accuracy processes and quality control are the current focus rather than the overarching intent of PRWORA – work first and self-sufficiency. We encourage Congress to build on the intent of PRWORA as originally envisioned in 1996 and to make major, rather than incremental, changes.

The recommendations I am offering today are intended to strengthen the Food Stamp Program and help Virginia and other states deliver benefits in a manner consistent with the principles of PRWORA.

Expand Authority and Flexibility to States

Expanding the authority of states and their flexibility in operating the Food Stamp Program is important to our success. PRWORA included several provisions that were intended to provide this authority and flexibility. The following are areas that need to be reviewed and addressed.

Promote Program Simplification

The Food Stamp Program has not been streamlined or simplified as Congress intended. While the federal government has given greater flexibility to states to design programs such as Temporary Assistance for Needy Families (TANF) and Medicaid, they have not granted comparable flexibility in the Food Stamp Program. Virginia has moved thousands of TANF recipients from dependency to self-sufficiency since implementation of PRWORA. We believe we can have similar success if the Food Stamp Program is simplified.

Rather than simplifying the Food Stamp Program, the federal government, through the many changes made over the years, has made the Food Stamp Program more complex. Congress included a state option under PRWORA, the “Simplified Food Stamp Program”, that was intended to give States more control over the Food Stamp Program. States have not been able to utilize this option because of restrictive program requirements. For example, the Simplified Food Stamp option only applies to TANF-related cases. Efforts to continue overall program simplification are still needed.

Application processing, change reporting and processing, and re-certification procedures are still micro-managed by federal regulations to an extent far exceeding requirements set forth in PRWORA. The final regulation issued November 21, 2000, by the United States Department of Agriculture (USDA) under the previous Administration not only retained prescriptive and complex requirements for Food Stamp applications, but even added new ones. New requirements also were added regarding re-certification procedures. These provisions continue to hamper our ability to operate an efficient program, contribute to program complexity, and discourage recipients with unnecessary paperwork and red tape.

We recommend a truly simplified application process. The Food Stamp allotment calculation methodology must be greatly simplified. Consideration should be given to the elimination of the long and complicated deduction process for eligibility determination. A gross income calculation should be implemented without the numerous deductions that are currently in place. We also recommend that client-reporting requirements be modified. A reasonable reporting approach for all households should be instituted.

Several Food Stamp household composition policies are outdated, inconsistent, or needlessly complex. For example, Food Stamp policy should be revised to allow children who are under 18 years of age and live with their parents to be considered part of the parents' household, regardless of whether they purchase and prepare meals together or separately. Additionally, any person age 18 or older who is unable to purchase and prepare meals separately because of a severe physical or mental disability should have separate household status.

We also recommend simplifying the processes for individuals living in institutions. Most residents of institutions are ineligible for Food Stamps because the institutions provide meals as part of their service. However, there are several types of institutions where residents may participate in the Food Stamp Program if they meet the income, resource, and non-financial requirements.

States should be allowed to make payments to institutions through a billing system, rather than issuing Food Stamp benefits up front to clients or authorized representatives. The facility would bill for the number of days each eligible resident was in the institution. This would eliminate the complicated processes now undertaken when partial allotments must be returned to residents who leave the facility during the month. Implementation of Electronic Benefit Transfer (EBT) has added another layer of complexity to issuing benefits to residents of institutions. Some states divert all residents' allotments to a "super account" for the institution administrator, while others equip institutions with point-of-sale devices so EBT cards can be used at the facility. A billing system would resolve these issues and promote administrative simplicity.

Remove Extensive Waiver Limitations

The extensive waiver limitations and exclusions in present law must be removed. State requests for waivers must be expeditiously approved on the simple basis that they demonstrably simplify program administration, improve efficiency, and/or enhance access to benefits. In addition, waiver requests should be approved without unnecessarily expensive evaluation requirements.

Focus on Serving the Needs of Participants

Complexity of program rules results in caseworker and client error. Virginia has faced fiscal sanctions in recent years resulting in a heavy burden on State general funds because of caseworker and client error. We attribute the bulk of these errors to error-prone federal policies and the complexity of the program. We have been forced to spend a great deal of time and attention on meeting quality control requirements and issues surrounding payment accuracy.

We need to reduce the excessive focus on quality control and payment accuracy and focus on the needs of our participants. While sound program

administration is vital, other outcome measurements should be developed. Increases in earnings and other indicators of greater self-sufficiency could be included as performance measures. USDA should reduce the emphasis on dollar-for-dollar errors that result in millions of dollars in sanctions to states each year. The present quality control system must be replaced by appropriate and realistic accountability and outcome measures.

Strengthen Work and Eligibility Requirements

The intent of PRWORA and of Virginia's welfare reform effort is to move recipients off welfare and into the work force. We recommend that Congress strengthen work and eligibility requirements. We also recommend that Congress provide enhancements to address the needs of the elderly and disabled.

Enhance the Food Stamp Employment and Training Program

The federal government must provide sufficient employment and training funding to serve all those subject to work requirements, and lift the caps on reimbursement amounts. Currently, 80 percent of Food Stamp Employment and Training (FSET) funds are restricted to provide employment and training for Able-bodied Adults without Dependent Children (ABAWDs). This restriction limits our ability to reach the heart of our Food Stamp population.

The federal government must provide FSET funding sufficient to serve all of those subject to work requirements. Current funding is inadequate. Virginia, like most states, has been able to do little beyond offering minimal job search activities.

Sufficient federal funding for employment and training for those who are subject to a work requirement is essential. States must be able to simplify work program administration, assure coordination and alignment among various work program funding streams, and provide appropriate welfare-to-work opportunities for program participants.

States should be given the flexibility to align Food Stamp Program and TANF work requirements. All recipients subject to Food Stamp work requirements should be mainstreamed into the state's integrated work force development program.

Increase Access to Benefits on Behalf of the Elderly and Disabled

While we do not support the expansion of the Food Stamp Program, we want to ensure that Food Stamp benefits reach those beneficiaries who are most vulnerable – the elderly and disabled population. Recipients of Supplemental Security Income (SSI) are either elderly or disabled and have few resources. The Social Security Administration (SSA) should add a nutritional supplement for

SSI recipients. SSA would administer the payment although its costs would continue to be funded from the Food Stamp Program. SSI recipients would no longer be required to participate in a separate Food Stamp Program, thereby reducing the amount of redundant information requested of SSI recipients who are either elderly or disabled.

Control of Future Spending

Much of the focus to control future spending has been on federal government savings. This focus has shifted costs to states and resulted in unfunded mandates. Congress needs to ensure that while federal cost-saving measures are instituted, costs do not shift inadvertently to state tax dollars. In addition, states should be provided an enhanced match for implementing and publicizing changes in the Food Stamp Program.

Electronic Delivery of Benefits

PRWORA mandated that states implement an EBT delivery system for the Food Stamp Program by October 2002. The Commonwealth of Virginia has contracted with a vendor and will begin a pilot by November 2001. EBT will be implemented statewide by July 2002. We are excited about this change in benefit delivery and fully expect our clients, retailers, and other client service partners to recognize the enhanced service to Virginia citizens. The EBT provisions were definitely a positive feature of PRWORA.

Promote Equitable Cost-Sharing

With the improved service to clients, however, we will pay a high price for this success story. The traditional 50-50 match for administrative expenditures is no longer adequate and does not reflect the shift of responsibilities to states that formerly belonged to USDA. At the same time, USDA is realizing significant cost savings since the Department no longer has to pay for the printing, distributing, redeeming, and accounting for paper stamps. The federal government should pay 100 percent of costs of functions that were formerly federal costs under a paper system.

Reduce the Cost of Vendor Procurement

State cost has risen because of the lack of competition among EBT vendors; currently, 33 states all share the same EBT prime vendor and are seeing basic prices double and triple from those paid just a few years ago. As a result, Virginia's cost to implement EBT is higher than that of states that implemented EBT just a few years ago. We anticipate increased cost in the procurement of EBT services at the end of our contract in three years. States are straining under the cost of fees for services.

Increase Customer Service Support

EBT gave birth to a level of service for clients and retailers that was not inherent in the paper coupon system. Federal regulations require that EBT clients and retailers have access to an EBT Help-Line 24 hours a day, 7 days a week. This service represents a new financial burden to Virginia and other states without additional funding. Call centers are a high cost item for states.

Minimize the Shifting of Costs to State and Local Government

We rely on the retail grocers to partner with us to serve our clients and their customers. In the paper system, USDA managed all Food Stamp-certified grocers. However, with EBT implementation, USDA has shifted the responsibility of retail point-of-sale (POS) deployment, training, marketing, and complaint resolution from the federal government to the states. Virginia, like other states, will have to assume 50 percent of the cost.

Defray the Cost of Interoperability

PRWORA required that generally accepted operating rules based on commercial technology be followed to permit interstate operations. In order to meet this requirement, states must ensure that its EBT vendor enters into agreements with other networks, switches and gateways across the nation, so that our clients are free to travel from state to state and shop at certified Food Stamp grocers. In the paper system, there was no cost to states for this level of client access.

Simplify Transaction Adjustments

USDA's final rule (July 2000) on EBT Adjustments requires states to make adjustments in an account to correct an auditable, out-of-balance settlement condition that occurs during the redemption process as a result of a system error.

This rule is in conflict with the requirement that states follow generally accepted operating rules based on the commercial debit card model. In the commercial model, adjustments are settled between the customer (retailer or client) and the processor. Because of the complex rules for tracking, notification, claims, partial settlement and fair hearings, it is not cost effective for EBT vendors to provide this service. Virginia and other states will be burdened with the cost of purchasing an adjustment product from their vendors.

Reduce the Cost of Data Storage

The EBT system generates a mammoth amount of data. Every transaction made with the card and with the Virginia EBT administrative terminal user must be documented. This data must be used to report, analyze, manage,

and monitor activity at the point-of-sale (POS), the Commonwealth's local and regional agencies, and at the EBT vendor's facility. Data warehousing is a costly item in terms of staff, equipment, and technology. The USDA's stringent and complex reporting requirements have resulted in standard EBT reports that are primarily used for retail management, fraud, abuse, and investigations. Additional reporting tools must be purchased at an additional cost to state government.

Key Concerns

Virginia needs relief from the increased costs that we will incur. We recommend that the federal share of the 50-50 administrative match be increased to ensure that EBT costs do not continue to shift from USDA to states. At a minimum, USDA should share its savings with the Commonwealth by paying 100 percent of costs of functions that were federal responsibilities under the paper system, such as the Food Stamp redemption aspects of retailer management, interoperability, EBT Client Help-Line, and transaction adjustments. Similarly, USDA should eliminate some of the redundancy of stored data by sharing its EBT data retrieval programs, software, and storage areas with Virginia, rather than forcing the Commonwealth to generate reports, queries, and searches for audit and fraud investigations.

The federal government should further fund the efforts of states as they strive to develop new and innovative ways of delivering benefits electronically. EBT is a successful method of delivering benefits to clients. The EBT prototype has been developed and accepted by states as the wave of the future. The Commonwealth of Virginia believes that now is the time to develop a more cost-effective model by reducing the vendor monopoly reign that prevails today.

CONCLUSION

Virginia wants to administer a simplified Food Stamp Program that:

- supports self-sufficiency and independence through employment;
- provides benefits to those unable to work, especially the elderly and disabled;
- is governed by eligibility rules that are easy to understand and administer; and
- can be readily accessed by people in need.

Reauthorization provides Congress with the opportunity to reevaluate the program's goals and develop the framework for attaining those goals. We encourage Congress to build on the tenets of PRWORA to enable Virginia and other states to effectively and efficiently deliver benefits to those in need while fulfilling our role as a steward of taxpayer dollars.